



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
Little Rock Field Office, Region VI  
Office of Community Planning and Development  
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June 7, 2016

Mr. Don Hancock  
Community Development Director  
201 North Spring  
Springdale, AR 72764

Dear Mr. Hancock:

We have completed our annual monitoring review of the City of Springdale's Community Development Block Grant (CDBG) Program for the 2015 Program Year. This letter conveys the results of our April 28-29, 2016, monitoring review and assessment of the City's performance in the administration of its CDBG program. The success of our monitoring visit was greatly aided by the professional coordination and cooperation of your Community Development (CD) staff. The assistance provided by your staff was a valuable contribution to our review.

Monitoring is the principle means by which this office carries out its statutorily mandated responsibility to review grantee performance in administering block grant activities pursuant to the Housing and Community Development Act of 1974. In addition, monitoring ensures grantee compliance with statutory and regulatory requirements, and improves grantee program performance. Our objectives are to improve performance, ensure that Federal funds are being managed properly, evaluate the effectiveness of your programs, and assess whether the City's programs require technical assistance.

At the exit conference held on April 29, 2016, HUD's staff discussed the results of the review and provided you with an opportunity to comment on HUD's initial conclusions. The enclosed monitoring report contains the results and details of each program area reviewed. There were no findings noted during our review.

Thank you for your continued interest in HUD programs. Should you have questions concerning this letter or other matters pertaining to your grant program, please contact Rhonda Shannon, Community Planning and Development Representative, on (501) 918-5732.

Sincerely,

A handwritten signature in blue ink, appearing to read "Clinton E. Johnson", is written over the word "Sincerely,".

Clinton E. Johnson  
Director, Community  
Planning and Development

Enclosure

cc:

Honorable Doug Sprouse, Mayor

## **Little Rock Office of Community Planning and Development**

### **Monitoring Report for the City of Springdale**

#### **Monitoring Team**

Rhonda Shannon, CPD Representative

Lisa Spigner, CPD Representative

The City's Community Planning and Development Representative, Rhonda Shannon, can be reached on (501) 918-5732. Please feel free to contact her if there are questions or concerns regarding this report.

#### **Date of Review**

April 28-29, 2016

#### **Scope of the Review**

The review covered the City's Community Development Block Grant (CDBG) Program activities carried out during the period January 1 through December 31, 2015. Program areas reviewed include Program Benefit, Program Progress, and Program Eligibility. HUD's review encompassed activities that were included in the City's Consolidated Plan/Annual Action Plan for the 2015 Program Year. This included a review of files and other records, on-site inspections, IDIS reports, performance reports submitted to HUD, and the City's annual audit.

#### **EXECUTIVE SUMMARY**

The City of Springdale has carried out its CDBG Program related activities in substantial compliance with program regulations, handbooks, and other administrative directives governing Community Planning and Development programs. Additionally, HUD has concluded that overall, the City of Springdale appears to have a well-managed CDBG Program, and a staff committed to providing quality services to the community. There were no findings noted in HUD's review.

#### **PROGRAM BENEFIT**

**Performance Standard:** The CDBG regulations provide that funds must be used to assist activities that are both eligible and meet one of three national objectives. Basically, only those activities that are designed to principally benefit low and moderate-income persons (LMI), aid in the prevention or elimination of slum and blight, or meet an urgent need, can be undertaken with CDBG funds. Further, the regulations at 24 CFR 570.200 (a)(3) require a minimum of 70 percent of funds expended for CDBG activities over a 1-3 year period, as specified by the grantee, principally benefit low and moderate-income persons.

**Actual Performance:** HUD selected a sample of the City's 2015 projects for review to determine whether each activity met the stated objective. The activities HUD reviewed included two (2) Public Services, and four (4) Housing Rehabilitation projects. Specific activities reviewed relative to these program areas included: two (2) Public Service Activities: the Taxi Program - Transportation for Elderly/Disabled (Activity #557), (\$24,000), and the Bread of Life – Emergency Housing for LMI/at risk of Homelessness (Activity #556), (\$24,000). HUD reviewed information concerning project description, location and service areas, and identified beneficiaries included in the City's block grant files for its 2015 program year.

**Conclusions:** HUD's review of file documentation and subsequent site visits to the activities listed above substantiates that each activity complies with national objective requirements. There were no activities attempted under either the urgent needs criteria or the slum and blight criteria. Therefore, all activities undertaken meet the national objective as claimed. The records for the 2015 program year revealed that all funds expended during that period were for activities that principally benefit LMI persons. On-site reviews of the project service areas did not reveal any inconsistencies between the records, nor any instances where LMI benefit is questionable.

**Findings or Concerns:** None.

## **PROGRAM PROGRESS**

**Performance Standard:** Monitoring program progress requires an assessment of whether a grantee is carrying out both individual activities and its program as a whole in a timely manner. This assessment is an important element in determining whether the grantee has a continuing capacity to carry out its program in a timely manner as required at 24 CFR 570.902 (a)(i). HUD's established benchmark for Formula grantees, as an indicator of timely program performance, is that un-disbursed program funds at 60 days prior to the end of the program year should be no more than 1.5 times the amount of the current grant.

**Actual performance:** HUD reviewed individual activities to determine whether they are progressing in a timely manner according to established performance goals. Files were reviewed for various activities including Housing Rehabilitation and Public Services, to determine whether there were performance issues with regard to project implementation and progress. Planned budgets were compared to expenditures, and any significant issues impacting project start or completion were identified. This included a review of the grantee's balance in LOCCS as of November 2, 2015, and individual project fund balances.

HUD's regulations state that there should be no more than 1.5 times the annual grant remaining in the line of credit at 60 days prior to the end of the program year. Based on the last 60-day drawdown ratio test on November 2, 2015, the City's timeliness ratio for expending CDBG funds was 0.51, which is well below the allowable 1.5 ratio.

**Conclusions:** The City's progress during the past Program Year has been satisfactory in the implementation of individual activities. The City's Community Development staff has successfully administered the CDBG Program, and HUD commends the City for its completion of approved activities in a timely manner. HUD's regulations state that there should be no more than 1.5 times the annual grant remaining in the line of credit at 60 days prior to the end of the program year. The City is commended for meeting HUD's timeliness standard during the 2015 Program Year. Based on the last 60-day drawdown ratio test, the City's ratio of timeliness for expending CDBG funds was 0.51, which is well below the allowable 1.5 ratio, and serves as an indicator of good performance in this area. Accordingly, the City is on schedule for meeting the standard for the current program year.

**Findings and Concerns:** None.

## **ELIGIBILITY**

**Performance Standard:** Each activity undertaken by a grantee must fit one of the categories of eligible activities identified in Subpart C of the CDBG regulations at 24 CFR Part 570. Grantees are required to maintain records for each activity that fully describes the activity assisted, including its geographic location and the provision in Subpart C under which it is eligible. Basically, eligible activities are as delineated at 24 CFR 570.201-206. Additionally, activities selected for assistance cannot be one of those listed as ineligible as stated at 24 CFR 570.207.

**Actual Performance:** HUD reviewed the following activities for compliance with eligibility, including files supporting the grantee's conclusion: Public Services, and Housing Rehabilitation Activities. HUD's review consisted of a file documentation review and/or an on-site visit to: four (4) Housing Rehabilitation Activities and two (2) Public Service Activities: the Taxi Program - Transportation for Elderly/Disabled (Activity #557), (\$24,000), and the Bread of Life - Emergency Housing for LMI/at risk of Homelessness (Activity #556), (\$24,000). HUD reviewed information concerning project description, location and service areas, and identified beneficiaries included in the City's block grant files for its 2015 program year.

**Conclusions:** HUD's review of file documentation and site inspections validated the accuracy of the City's determination that all of its activities meet basic eligibility requirements. There were no exceptions noted.

**Findings or Concerns:** None

## **HOUSING REHABILITATION**

**Performance Standard:** The activities were reviewed to determine whether they meet the minimum requirements of 24 CFR Part 570.202 of the Community Development Block Grant regulations, which outline eligible rehabilitation activities. Areas tested for compliance included application processing, client eligibility, contracting, construction management, and lead-based paint procedures.



**Actual Performance:** HUD noted that program guidelines have been developed describing assistance offered to clients in terms of the program benefits, income limits, grant limits and other conditions of eligibility. Information concerning the program is provided to potential beneficiaries and applications are processed in a timely manner.

The City committed \$616,483 to the CDBG Rehabilitation Program in Fiscal Year 2015. According to HUD's review of files and reports submitted to HUD, the City's Single Family Rehabilitation Program includes both Emergency Assistance Grants and Housing Assistance Grants of up to \$25,000 to low-income homeowners to make substantial repairs to their homes to bring the houses up to designated Housing Quality Standards (HQS). Program objectives are being met, and the overall program is progressing as planned by the City.

HUD reviewed four (4) of the City's CDBG housing rehabilitation files (IDIS activity numbers 534, 547, 550, and 552) and made on-site inspections to three (3) of the CDBG rehabilitation projects reviewed. The file reviews and on-site visits were completed to determine if the costs were reasonable; workmanship was acceptable; all repairs included in the work description were completed; and if each dwelling, upon completion, met the City's program objective and adopted codes for the City's Rehabilitation Program. Further, HUD conducted an examination of each file to assess program compliance with the Lead Based Paint Rules as set forth at 24 CFR Part 35.915(b) of the Federal Regulations. The files reviewed were found to be extremely well organized. Documentation of the rehabilitation process was easy to follow and understand.

All of the above files were spot checked for compliance with LBP notification requirements and the documentation for required testing. The City's file documentation reviewed on the four rehabilitated homes verified that the City is in compliance with the LBP requirements.

**Conclusions:** HUD concluded that the City's overall program performance is acceptable when compared to the national standard. HUD inspected projects that had been completed in the program year, and noted that repairs were limited to eligible improvements and assistance was provided to only low and moderate-income persons. Also, the units selected were inspected to ensure compliance with the City's program's objectives and local codes are being met. The City is providing assistance to a significant number of households with limited funding. Assistance provided allows homeowners to remain in their homes, improve energy efficiency, and in some cases remove potential life/safety issues.

The individual housing rehabilitation activity files were reviewed for compliance with the requirements of 570.208(a) (3), 570.506(b) (4), and 24 CFR Part 35.915 (b). All files reviewed included information on income and household size as well as verification of income, as well as source documentation for meeting Lead Based Paint policies. The files also contained information regarding the extent of the rehabilitation assistance provided. HUD inspected and reviewed three (3) dwelling units that had been completed in the 2015 program year. HUD's inspection revealed that repairs had been completed in accordance with both HUD's and the City's local codes. HUD concluded that the City's overall program performance is good.

Housing rehabilitation is a very complex program to operate, but it can have a tremendous positive impact on the clients and the community served. The City is commended for undertaking a program of this nature. It was evident from HUD's review that the City has a very capable and committed staff, and have policies and procedures in place to ensure a successful and compliant program.

**Findings or Concerns:** None.

## FINANCIAL MANAGEMENT

**Performance Standard:** Grantees are required to establish accounting records that are adequate to detail the historical use of Federal funds received. Grantees are also required to establish management controls that will provide for the administration of programs, while making provisions for safeguarding the integrity of program operations. Specifically, grantees must ensure that funds are spent for allowable costs, and verify that beneficiaries meet program requirements. Such systems should provide for efficient operation while minimizing the opportunity for fraud, waste, or mismanagement. These requirements are detailed in Federal guidelines found at 24 CFR Part 85, which is otherwise known as the "common rule."

**Actual Performance:** With regard to the CDBG Program, HUD reviewed the City's overall management of program related financial operations and cost allowability for the period ended December 31, 2015.

The City continues to maintain overall citywide financial management policies and procedures, and strong written internal control procedures for its expenditure of CDBG funds. Moreover, the City maintains a listing of job descriptions for CDBG personnel, and an organizational chart showing appropriate lines of authority.

**Findings or Concerns:** None.

## COST ALLOWABILITY

**Performance Standard:** OMB Circular A-87 and 24 CFR 85.22 establish cost allowability standards for program expenditures to be paid with CDBG funds. All costs incurred by the grantee must relate to the implementation of CDBG-related activities, and must be considered reasonable and necessary for project implementation. In addition to being eligible, all costs must meet these standards in order to be considered allowable program costs.

**Actual Performance:** HUD's review included an examination of administrative costs, and programmatic costs associated with the operation of the City's CDBG Program. Moreover, CDBG-related expenditures (as indicated in the following table) were reviewed to determine whether such costs conformed to Federal guidelines.

**Table-1: Selected CDBG Expenditures**

IDIS Act ID	Voucher Created	Voucher Status	Status Date	LOCCS Send Date	Grant Number	Fund Type	Program	Drawn Amount
556	7/24/2015	Complete	7/30/2015	7/24/2015	B15MC050002	EN	CDBG	\$24,000.00
557	7/15/2015	Complete	7/17/2015	7/15/2015	B15MC050002	EN	CDBG	\$24,000.00
212	7/15/2015	Complete	7/15/2015	7/15/2015	B15MC050002	EN	CDBG	\$7,025.40
212	7/15/2015	Complete	7/15/2015	7/15/2015	B15MC050002	EN	CDBG	\$2,776.08
212	8/11/2015	Complete	8/11/2015	8/11/2015	B15MC050002	EN	CDBG	\$1,500.00
209	8/21/2015	Complete	8/27/2015	8/21/2015	B15MC050002	EN	CDBG	\$200.00
211	6/8/2015	Complete	6/12/2015	6/8/2015	B14MC050002	EN	CDBG	\$500.00

All of the vouchers referenced in Table-1 conformed to Federal guidelines, as they were supported by documentation such as cancelled checks, paid bills, payrolls, time and attendance records, or contract documents.

**Findings or Concerns:** None.